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FROM AMBASSADOR VERSHBOW TO THE DEPUTY SECRETARY

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TAGS: [MARR](#) [PARM](#) [PREL](#) [PGOV](#) [PINS](#) [KN](#) [KS](#) [CH](#) [JA](#)  
SUBJECT: SCENESETTER FOR THE DEPUTY SECRETARY'S MAY 7-8  
VISIT TO SEOUL

Classified By: AMB. ALEXANDER VERSHBOW. REASONS 1.4 (b/d).

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SUMMARY  
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¶1. (C) Your visit to Korea falls between the April 18-19 Camp David Summit and the Secretary's expected stop in Seoul at the end of June. Secretary Gates will also be coming for the U.S. Forces Korea (USFK) change-of-command ceremony on June 13. These visits will be followed by a second U.S.-ROK summit in Seoul in mid-July, after the G-8. So much high-level attention to South Korea by senior U.S. officials is both warranted and wise given the opportunity presented by the election of pro-American President Lee Myung-bak and the victory of his party, the GNP, in last month's National Assembly elections. We have an excellent chance of revitalizing bilateral relations as well as setting the course for an expanded "21st Century Strategic Alliance" with a country that is both a long-standing friend and strategically placed ally.

¶2. (C) I was at the Camp David meetings, and can attest to the fact that the two presidents really connected, both personally and substantively. Together, they began to set the direction for the restoration and upgrading of U.S.-ROK relations. Above all, they agreed to work together to strengthen the relationship in four key areas:

-- Ratification of the Korea-U.S. Free Trade Agreement during 2008;

-- A coordinated approach to dealing with North Korea, with closer synchronization of the Six Party Talks and inter-Korean relations than was the case under Roh Moo-Hyun;

-- Upgrading of the U.S.-ROK Alliance to a "21st Century Strategic Alliance," that is increasingly oriented toward addressing global and regional challenges alongside its traditional mission of keeping the peace on the Peninsula; and

-- Korea's accession to the Visa Waiver Program by the end of this year.

¶3. (C) This message focuses on what we currently need to do

to advance those goals and how your visit will serve to enhance those efforts. Given your planned focus on the North East Asia Peace and Security Mechanism (NEAPSM), we have incorporated some insights into their thinking. We also offer our perspective on the new Administration's approach to China and Japan, and possible areas for discussion on those subjects. We conclude with an update on the domestic political landscape, which -- despite some stumbles by the new President and his team -- has become far more favorable to U.S. interests than at any time in the last ten years.

END SUMMARY.

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THE KORUS FTA  
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14. (C) A key focus of Lee's five-day visit and the Camp David meetings was passage of the Korea-U.S. Free Trade Agreement (KORUS FTA). President Lee understood that resolving the beef issue would be a tangible demonstration of his support for President Bush's trade agenda, and that it was essential for the FTA to have any chance of passing the Congress. Thus, he took the courageous decision to approve an agreement on the eve of the summit that resolves this five-year-old dispute in a manner that is fully consistent with OIE scientific guidelines. He is taking some flak for this decision domestically, but shows no sign of wavering. Lee is now trying to secure the earliest possible ratification of the FTA by the ROK National Assembly.

15. (C) Many Korean legislators will, however, keep an eye on our Congress, because they will not want to expend any political capital if there is no chance of Congressional action this year. Your Korean interlocutors will, therefore,

be looking for reassurance that Congressional ratification is doable and that their tough political decision to resolve beef was not in vain. They were encouraged by the President's statement that we will try to ratify KORUS "in parallel with the Colombia FTA," rather than sequentially, and by Susan Schwab's public comments that each FTA is on its own track.

16. (C) Obviously, it is hard to predict the outcome of the U.S. trade debate with any certainty in a presidential election year, but as the most commercially significant U.S. FTA in 15 years, KORUS has a broad base of very active U.S. business support. Over 500 companies, organizations and communities have joined the "U.S.-Korea FTA Business Coalition" in the U.S. -- the largest advocacy group for any U.S. FTA ever. That support is equally spread among manufacturing firms, service sector companies, and agricultural interests, and contains a lot of communities and local chambers of commerce that understand the benefits that KORUS will bring to their economies. You may wish to point to some of that support as reassurance to the ROK officials with whom you meet.

17. (C) The debate in the U.S. has thus far been dominated by opponents of the agreement (particularly in the autos sector, despite the FTA's strong provisions to pry open the Korean market) and of free trade in general. But we need to put that in perspective for the Koreans. For virtually every FTA the U.S. has ever concluded -- particularly those with important trading partners -- the opponents of the agreement have been active and vocal early on, but we have in the end ratified every FTA we have signed. We don't need every vote, just a majority in each house of Congress.

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NORTH KOREA POLICY  
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18. (C) During the past decade, the gap that opened up between Washington and Seoul over North Korea policy was perhaps the single greatest problem in our alliance relationship. Although we managed to stick together in the Six Party Talks, there were sometimes disconnects when it came to North-South relations. President Lee has largely

closed that gap by advocating a very pragmatic policy toward Pyongyang that emphasizes denuclearization of the DPRK as the precondition for any significant economic assistance, as well as the principle of reciprocity of benefits in inter-Korean relations.

¶9. (C) While this is good news for us, Lee Myung-bak has incurred the wrath of Kim Jong-il, whose media have launched a barrage of hysterical rhetoric and ad hominem attacks on Lee personally, souring the North-South relations at least for the present, and potentially raising tensions on the Peninsula. You may want to praise the Koreans for their steadiness in the face of the North Korean propaganda campaign (which so far hasn't fazed the South Korean public), and assure them that we won't let Pyongyang drive a wedge between us. We want to maintain the closest possible coordination with Seoul as we move forward together in the Six-Party process and in our wider engagement with the DPRK.

¶10. (C) In addition to the North East Asia Peace and Security Mechanism (discussed below), the Koreans may be interested in discussing food aid to the North. Up until now, they have said that North Korea needs to request aid, and that they will not maintain Roh's policy of routine quarterly rice and fertilizer shipments that amount to a subsidy to the North's economy, unrelated to genuine humanitarian needs. With global food prices at an all-time high, they have also expressed doubt about whether they can afford to provide substantial rice aid even if asked. But with reports that the U.S. may soon resume food aid talks with the DPRK, they are becoming nervous that they will be perceived as callous to starvation in the North, and may want to coordinate more closely with us on this subject.

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21ST CENTURY STRATEGIC ALLIANCE  
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¶11. (C) At Camp David, President Bush and President Lee called for upgrading the U.S.-ROK security alliance to a "21st Century Strategic Alliance." What this will mean in practice, however, is still a work in progress. We deliberately did not press for early decisions on extending the Korean troop commitment in Iraq or joining the Proliferation Security Initiative -- opening the beef market was a heavy-enough lift for a newly elected Korean president. But it was agreed that we would aim to put more flesh on the bones in time for the July Summit, at which time the leaders could issue a "Vision Statement" about the alliance and announce additional deliverables.

¶12. (C) The two leaders did decide at Camp David to halt the drawdown in U.S. forces on the Korean Peninsula at the current level of 28,500 (rather than reducing to 25,000 by the end of 2008 as previously planned). Although it has not been officially announced, President Lee also agreed to send ROK trainers to the new Afghanistan police academy near Kabul, in addition to the civilian medical personnel and police escorts the ROK has previously agreed to send to operate a hospital at Bagram. The ROK also currently has 350 troops in Lebanon (UNIFIL), recently sent an observer team to Sudan, and is considering legislation to establish a standing peacekeeping force for future contingencies.

¶13. (C) President Lee hinted that, after the new National Assembly is in place in June, he will consider seeking an extension of the dispatch of the ROK's 600 troops serving very successfully in Northern Iraq. He also indicated that other non-combat contributions might be possible in Afghanistan. The Koreans are sensitive, however, about media allegations that the "21st Century Strategic Alliance" really means acceding to more of Washington's demands, rather than serving both countries' mutual interests. And when it comes to military action, they seek at all cost to avoid suffering any casualties.

¶14. (C) Upgrading the alliance also means completing the

transformation of today's Combined Forces Command -- which is headquartered in the middle of Seoul with a U.S. general leading combined Korean and American troops in war -- to tomorrow's KORCOM -- the U.S. Korea Command that will operate from a new base south of the Han River in Pyongtaek, and will provide support to a new ROK Strategic Command after transfer of wartime operational control (OPCON) in 2012. While the North Korean threat commands the most attention, the day-to-day reality of the U.S.-ROK Alliance revolves more around issues relating to the presence of our troops on the Peninsula and all the attendant problems that go along with that.

-- The good news is that we have three agreements to appropriately transform both our military footprint and military mission in Korea. They are the Yongsan Relocation Plan to move the USFK headquarters to Pyongtaek, the Land Partnership Plan to consolidate what used to be over 100 USFK facilities in Korea into two key strategic hubs, and the Strategic Transition Plan for the transfer of wartime OPCON to the Korean military in 2012. The shorthand is YRP, LPP and STP or simpler still: "Alliance Transformation."

-- The bad news is that change is hard and implementing all three agreements will in the end cost tens of billions of dollars. It is therefore troubling to see that the Blue House has called for a 10-percent budget cut across the ROK Government, including the Defense Ministry; it was troubling enough that President Bush urged President Lee to "give his military enough money" at Camp David. We are also worried that the Koreans will get wrapped around the axle on a new defense cost-sharing agreement (SMA) and on the terms for the return of nine closed USFK camps and bases, as occurred during the Roh Administration.

¶15. (C) It would therefore be helpful if you underlined our position during your visit that Alliance Transformation should be fully implemented and fully funded in keeping with

Korea's obligations under those agreements, and that we need to prevent the politicization of issues like SMA and camp returns. The goal should be a healthier, smooth-running security relationship that lives up to the new mantra of a "21st Century Strategic Alliance."

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ROK ACCESSION TO THE VWP  
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¶16. (C) Finally, hopes for Korean entry into the Visa Waiver Program (VWP) by the end of 2008 are running high in the ROK in the wake of the signing of an MOU in Washington on April 17 by Foreign Minister Yu Myung-whan and DHS Secretary Chertoff. Your Korean interlocutors will likely push for quick U.S. action on the VWP requirements that the USG has yet to fulfill, including DHS development and implementation of the Electronic System for Travel Authorization (ESTA) and a system for verifying the exit of travelers who enter the U.S. on the VWP.

¶17. (C) Equally, the ROKG is eager to know what additional implementing arrangements under the MOU might be required, particularly with reference to any request for release to the USG of individual Koreans' criminal records that are ordinarily protected under Korean privacy laws. Aside from these implementing arrangements, the ROKG believes it has all but fulfilled its requirements for admission to the VWP. E-passports are now being issued to officials and diplomats and the general public will start receiving them in August. You definitely don't need to wade into these details, and can point to a DHS visit to Seoul scheduled in mid-June as an appropriate forum for further bilateral discussion of these matters. That DHS team is coming to conduct a formal assessment on the effect that Korea's entry into the VWP would have on security, law enforcement and immigration interests of the United States.

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¶18. (C) You can count on the ROK to be a strong supporter of the Northeast Asia Peace and Security Mechanism concept, based on South Korea's strong internationalist traditions, President Lee's pragmatic desire to improve relations with China, Japan and Russia, and the considerable credibility that the Six-Party Talks process enjoys here. Here are the main threads of thinking on this issue that we have picked up from our discussions with relevant ROKG officials and leading Korean regional security experts.

-- INTERNATIONALIST TRADITIONS: As the "shrimp between two whales" (China and Japan), Korea has historically favored international groupings that give Seoul a seat at the table and contribute to regional stability. This has led Seoul to be an active player in the ASEAN Regional Forum, ASEAN-Plus-Three, and APEC. President Lee plans to increase the ROK's international aid profile, and there is considerable pride at having a Korean as UN Secretary General. Correspondingly, South Koreans are enthusiastic supporters of NEAPSM, especially as a means for pursuing confidence-building initiatives. At the same time, history has taught them not to invite too many regional powers to the Peninsula, and this is why they want to keep NEAPSM separate from peace regime negotiations, and thereby exclude Russia and Japan from the latter.

-- PRAGMATIC REGIONAL VIEW WITH U.S. IN THE PICTURE: In early comments about the ROK's relations with the two "whales," President Lee signaled that his government would be forward-looking and pragmatic, a shift from the historical-grievance mindset of his predecessor, Roh Moo-hyun. In his inaugural speech in December, Lee said: "We will seek peace and mutual prosperity with our close neighbors, including Japan, China and Russia." He has since announced the resumption of "shuttle diplomacy" (yearly leaders' visits in each direction) which he began with his April stop in Japan on the way back from Camp David. Since

Lee has also made it very clear that strengthening the "strategic alliance" with the United States is his highest priority, we need not be concerned about the ROK leaning toward regional arrangements that marginalize the U.S.

-- SIX-PARTY EXPERIENCE BODES WELL FOR NEAPSM: From the outset, the ROK has been an active and helpful player in the Six-Party Talks. Behind the scenes, the Koreans have helped keep the wheels turning by conscientiously chairing the Economy and Energy Cooperation Working Group. The NEAPSM Working Group, though chaired by Russia, has also benefited from ROK input. For example, MOFAT officials ghost-wrote a concept paper that the Russian chair later circulated among member delegations. Thus, the Koreans can be expected to pull their weight when a NEAPSM is established as an institution.

¶19. (C) However, as for what such an institution might actually accomplish, Korean thinking often stops at the 38th parallel. During the late Roh Administration, there was a naive hope that an end to the Korean War could be declared even before denuclearization, leading North Korea to feel secure enough to drop its nuclear program, thereby opening the road for regional peace. The ROK public never bought that approach and the Lee Administration's view is far more sober, putting the denuclearization horse back in front of the peace regime cart. The upshot is that the ROK sees broader peace in Northeast Asia as a long-term process because of North Korea's recalcitrance, and will be skeptical about what NEAPSM can realistically do, at least in the near term. You may therefore want to start off by exploring with ROK officials the idea of getting NEAPSM off the ground with small confidence-building measures, such as the joint search-and-rescue operation that the South Koreans proposed at the first NEAPSM Working Group meeting in March 2007, or perhaps a coordinated NAEPSP approach to providing food aid and farming technology to North Korea.



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REGIONAL ISSUES  
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¶20. (C) Tokyo is among the biggest beneficiaries of the change in the South Korean political climate. President Lee has already met PM Fukuda twice. In Tokyo just last week, Lee and Fukuda vowed to build a "new era" of improved relations. They agreed to cooperate closely on North Korean nuclear and abduction issues, address global issues such as global warming and development assistance for poor countries, and enhance economic ties. Also significant is their promise to each other to make frequent -- at least once a year -- reciprocal visits. All of this is greatly helped by the gradual warming up of the South Korean public view of Japan, a significant departure from the Koizumi-Roh era when history and territory controversies put an enormous strain on Seoul-Tokyo ties. You will certainly want to highlight -- and encourage -- the improving ROK-Japan relations, which is also an opportunity for enhanced trilateral cooperation on regional and global issues. At Camp David, the President proposed a three-way, US-ROK-Japan, summit in Peru, on the margins of the APEC summit.

¶21. (C) The Lee Myung-bak government's position on China is more nuanced. Historically South Korea's protecting power, and now its biggest trading partner, China represents enormous opportunities and risks for Seoul. Lee has chosen, quite wisely, what he calls "pragmatic diplomacy" with China.

That is, he wants to see economic relations prosper and political relations continue on a "friendly" basis. This is easier said than done, because most Koreans are quite concerned, even intimidated by the rapid growth of Chinese influence in the region. The most recent reminder was the Olympic torch relay in Seoul during which Chinese students violently attacked a group of South Koreans protesting China's position on human rights in North Korea and Tibet. South Koreans vocally condemned Chinese intimidation and were especially angry at Korean law enforcement for being too scared to control the Chinese. Another source of underlying tension is that China is the ROK's foremost competitor for

economic and political influence on North Korea. Lee, like his predecessor Roh, is worried that Chinese trade and assistance dominate North Korean economic life, and that its investment is beginning buy up large parts of North Korean productive capacity. Given these limits on Seoul-Beijing ties, I recommend that you assure the Koreans that Washington welcomes Lee's brand of pragmatic diplomacy with China; that we believe Seoul's strong alliance relationship with us is compatible with friendly Seoul-Beijing ties.

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THE SOUTH KOREAN POLITICAL CLIMATE  
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¶22. (C) The collective political hangover from the recent Presidential (December 2007) and National Assembly Elections (April 2008) has yet to clear off, meaning the present domestic political situation is murky. Although the conservatives won big in both elections, they won't take their National Assembly seats until the end of May. In the meantime the country is wondering what Lee Myung-bak will do to fulfill his campaign pledge to revive the economy in the face of a global economic downturn. The fate of his pet plan to build a network of canals across the Korean Peninsula is also uncertain. Even before Lee's inauguration three of his cabinet nominees had to step down because of questions about their finances, and at the end of April a Blue House senior secretary resigned amid controversy surrounding possible

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ill-gotten wealth. While some have used that opportunity to criticize him, in general Korean politicians of all stripes still appear to be feeling their way around with regard to how they should relate to the new president.

¶23. (C) The 18th National Assembly convenes on May 29, but both the ruling Grand National Party (GNP) and the main opposition United Democratic Party (UDP) will change their leadership via party conventions in early July, likely getting in the way of any serious business getting done until mid-July. President Lee called an unprecedented lame-duck special session (currently underway) in the Assembly that leaves office on May 25. While some hold out hope the KORUS FTA will be passed during this session, most of our sources say there is little to no chance the outgoing assembly will give the new president (or the USG) that plum. Political observers have commented that Lee's biggest challenge as President will be in learning how to work with the National Assembly and build public consensus for his initiatives -- skills he did not need in his previous incarnations as the powerful mayor of Seoul and a can-do corporate executive. The true test will come in late summer, when the new National Assembly is finally ready to get down to business. The conservative-dominated assembly augurs well for Lee, but he will have to find a way to work with his critics both within the GNP and in opposition groups in order to accomplish his goals.

¶24. (C) Right now the political planets are properly aligned. In beef, Lee has shown that he is capable of delivering the goods. In less than two months, he will be endowed with a much more friendly legislature. But above all, the South Korea public continues show again and again that they support a closer relationship with the United States. This coming series of high-level USG visits, which you kick off, is an opportunity to elevate our presence in the most strategic piece of real estate in northeast Asia. We look forward to seeing you on May 7.

VERSHBOW